DEVELOPMENT OF TOURISM IN THE FUNCTION OF REDUCING UNEMPLOYMENT IN SERBIA

Olgica Nestorović1; Dušan Anićić2;

Abstract

Tourism has grown steadily over the last decades and has become one of the fastest growing economies in the world. It is a key driver of the overall socio-economic development, and in this respect it also significantly affects the issue of unemployment. The contribution of tourism to economic development is reflected in its impact on investment, income, balance of payments, and employment, causing their growth. However, economic growth alone is not sufficient to reduce the unemployment rate, but appropriate economic policy measures are needed. Tourism is the fastest growing sector in highly developed countries, which generates more jobs than any other industry. Tourism activity is continually growing and it directly creates new jobs in tourism, but also in other sectors. Also, incentive measures in certain areas can have a favorable impact on employment in these areas. Positive experiences from the countries of the European Union can serve as examples of good practice for successfully solving the problem of unemployment in the Republic of Serbia through tourism.

Key Words: tourism, unemployment, economic development, economic policy
JEL classification: J68, O52, Z3

Introduction

During the past decade, tourism has had continuous growth and has become one of the fastest growing economic sectors in the world. Modern tourism is closely linked with economic development and includes a growing number of new destinations, which has the effect that tourism is

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Tourism has become a major player in international trade and at the same time is one of the main sources of income for many developing countries. This growth goes hand in hand with the increasing diversification and competition among destinations (UNWTO, 2019). The increase in the volume of business tourism in developed countries has led to new economic activity and employment benefits in many related sectors, from construction, infrastructure to agriculture and telecommunications.

Tourism's contribution to the economic well-being depends on the quality and the existence of the tourist offer, so that developing countries can benefit from the development of tourism and they need to work on it.

In this paper, the authors will first consider the economic effects that tourism has on economic growth and development. New jobs now come mainly from the service sector, so tourism in this sense has its own chance. Special attention will be paid to the issue of unemployment in Serbia and how tourism can contribute to its reduction. There are positive assessments that support the fact that tourism can contribute to a certain extent to its reduction. Tourism can become one of the drivers of economic development in Serbia, and therefore the carrier of business activities that would allow for greater access to employment in this sector, but it is necessary to create a certain business environment and work on its improvement, which will be discussed below.

**Economic effects of tourism**

"Every day, there are more than 3 million tourists crossing national borders. Each year, nearly 1.2 billion people are traveling abroad. Tourism has become a pillar of the economy, passport to prosperity and transformative power of improving millions of lives. The Council can and must harness the power of tourism as we strive to implement the Agenda for sustainable development by 2030. "(Guterres, Secretary General UNWTO).

In the strategy of reducing unemployment, EU Member States define priority targets of their economic development, with a special emphasis on growth and employment. It is confirmed that knowledge, innovation and optimization of human capital are key to development.
Previously set ambitious quantitative targets have been reduced to two:
- Stop employment 70%, with the higher percentage of women employed,
- Investment in research and development of 3% of GDP (2020).

There is a consensus among economists that most of the unemployment in the EU is structural in nature and not due to cyclical movements. In this regard, one can notice that economic growth is not sufficient to reduce unemployment, but also with the economic growth adequate measures of national economic policy are necessary. Trouble shooting the labor market is one of the biggest challenges faced by the EU, but also by our domestic national economy. New jobs are created today, mostly in the service sector, which has become the dominant sector at the end of the last century. The service sector is the fastest growing sector in the overall global economic environment, and, as such, it generates, in most developed countries, more jobs than any other economic sector (Blažević & Vuković, 2001).

At present, nearly 25 percent of young people in the countries of South East Europe (SEE6) are inactive or are not employed or included in education or any form of training. Unemployment is not slowing down and is still as high as 38.8 percent in Montenegro and 54.3 percent in Bosnia and Herzegovina. These problems partly reflect the difficulties that these countries faced in recovering from the global financial crisis of 2008, which dramatically increased the already high unemployment rate among young people.

Economic growth affects the employment opportunities of young people more than those of adults and the chances of finding a job. Although the crisis has disproportionately hit young people, it is less required to create jobs for young people in the period of expansion than the volume of economic development for employability. Negative trends in the labor market also point to deeper structural problems in neighboring countries, where the problem is not only the high unemployment in the region, but labor force participation, especially when it comes to young women and members of minorities.

Strict labor regulations limit the opportunities for those who are just entering the labor market, while taxes on wages are relatively higher for employees who are paid less and part-time. In both these groups young people are disproportionately over-represented - which in turn deter
potential employees of this kind of work. Members of the workforce for the first time entering the labor market in the countries of the Western Balkans, including Serbia, lack the skills that employers require. Inadequate access to production inputs and lack of professional relationships make it difficult for young people to enter the entrepreneurship and employment. Finally, some cultural norms can limit job opportunities for young people, especially women and ethnic minorities.

In this sense, the policies that can help overcome these difficulties have improved access to quality, affordable care for children and invest in long-term effort to change the norms for greater equality of opportunity for all. Solving challenges that unemployed young people encounter cyclically and structurally requires a custom policy answer. It is essential to keep young people in the labor market during the recession and build their human capital until the labor market recovers. When it comes to structural youth unemployment, policy objectives are far-reaching: here it is necessary to remove negative incentives for labor and youth employment as a consequence of exclusionary labor laws and labor taxation; enable individuals entering the labor market for the first time to acquire the skills that are necessary for the market; and improve their access to production inputs, such as land, finance and professional relationships (World Bank, 2016).

The National sustainable development strategy of the Republic of Serbia defines the growth of competitive market economy and balanced economic growth, infrastructure development and balanced regional development, as well as environmental protection and rational exploitation of natural resources. Based on European experiences, environmental protection does not contradict economic growth and development, since healthy environment is impossible without a healthy economy, and vice versa (Anićić & Anićić, 2019).

Economic integration strengthens competitive pressure across borders of the national economy, which contributes to the realization of consumers’ interests by lowering prices, improving the quality of services and increasing consumer choice (Nestorović & Petrović, 2019).

Strategy Serbia 2020 announces changes to the Labor Law, which will improve flexicurity policies, and thus the competitiveness of the economy. It also provides for increased spending on active labor market
measures and possible revision of the current tax burden on earnings. One of the main focuses of Strategy Serbia in 2020 in the field of employment is the employment of vulnerable and less employable categories with the help of active measures. Appropriations for active labor market measures almost doubled already in 2011 and amounted to 55.5 million euros, or 0.17% of GDP, which is a positive example of the implementation of some plans introduced in Serbia. 2020 Strategy also has optimistic estimates that the objective of employment of 66% in 2020 is possible to achieve with proper effort among the population aged between 20 and 64 years. The strategy points out that, on the one hand, the demographic aging of the population has positive impact on the overall employment rate; while by 2020, young people with new skills, which will be easier employable, will leave the education system. It is estimated that due to depopulation, the population of working age (between 15 and 64 years of age) in Serbia will drop by about 420,000 persons between 2010 and 2020, which will, ceteris paribus, contribute to increasing their employment rate for about 4 to 5 percentage points (MAT & FREN, 2010).

Tourism is a service industry, which in recent decades has recorded a significant growth, contributed by the globalization of markets, the opening of borders, increase in leisure time, developing technology and other. It is clear that tourism has the potential for solving problems in the labor market. It is only necessary to create a business environment and take appropriate measures to ensure full utilization of this potential (Tribe, 1999).

Tourism is a sector in Serbia, which can significantly contribute to a faster economic growth. In our country there is a great potential for increasing tourism activities which will consequently generate a greater number of jobs in tourism and related industries. In order to successfully solve the problem of unemployment through tourism, Serbia can make use of positive experiences of the EU countries, but it is also important to improve their potential and constantly work to improve them. Tourism and economic development of tourism has a very important place in the economic and social development, because of its complexity and the emergence of relationships that intertwine other economic activities as well. Indicators confirm the increase in international travel and the continuity of growth recorded in recent years, and it therefore contributes to the growth and impact of tourism on economic growth.
According to the World Tourism Organization (UNWTO, 2017), as many as 10% of world GDP in 2017 was generated from tourism. Every tenth of tourism, both directly or indirectly, generates jobs, and thereby contributes to 7% of world exports, and as much as 4.6% of the global ratio. Tourism has seen its progress, as evidenced by data on total arrivals of tourists worldwide. The world in 1960 recorded 25 million tourist arrivals, while in 2017 only in Europe 631 million arrivals were recorded and 1.322 million arrivals in the world. (UNWTO, 2017). This continued growth initiates questions about the role of tourism in the economy. The contribution of tourism to economic development is reflected in its impact on employment and income, thus encouraging their development, and the living standard of the individual or the community in which it takes place. It affects the improvement of the balance of payments and development of underdeveloped areas. These contributions of tourism can be defined as the development goals of economic development.

Figure 1: Total tourist arrivals in the world from 2004 to 2016.

![Figure 1](chart1.png)

Source: World Bank Group

Chart 1 shows the movement of total tourist arrivals in the world in the period 2004-2016. It can be noticed that this growth was quite extreme, and that it recorded a tendency for further growth.

Economic activities related to tourism included slightly more than 12 million people in the European Union. Nearly 7 million of these people work in the food and beverage industry, while 2 million employees are
employed in transport. Accommodation sector (not including real estate) makes 2.4 million jobs in the EU; travel agencies and tour operators account for almost half a million. Three industries that are almost entirely reliant on tourism (accommodation, travel agencies/tour operators, air transportation) employ 3.3 million people in the EU. These three industries will now be called "selected tourism industries". Tourism industry makes up 22% of the people employed in the service sector. When we look at the total non-financial business economy, the tourism industry makes up 9% of employees. Among Member States for which data are available, Malta has recorded the highest share (16.6%, or one of six persons employed). In absolute terms, the UK and Germany had the highest employment in the tourism industry (by 2.1 million), followed by Italy (1.4 million), Spain and France (1.3 million). These five Member States make 68.5% of employment in the tourism industries across the EU (Eurostat, 2019).

In selected tourism industries, 22% of people are working in micro-enterprises employing less than 10 people, which is significantly lower than the 29% observed for the total non-financial business economy. Looking in particular the three selected tourism industries, more than one third of employment in tourist agencies and tour operators into microfuges (34%); in the accommodation sector this figure is 23%. Not surprisingly, small and medium-sized enterprises (<250 employees) are of minor importance in air transport, with 89% of employees in the sector working in companies employing 250 people or more.

The participation of tourism in the GDP of individual countries in the world in 2017 is as follows: Maldives 76.6%, Seychelles 65.3%, Bahamas 47.8%, Barbados 40.6%, Malta 27.1%, Albania 26.2%, Croatia 25%, Mauritius 23.8%. In these countries, we notice that tourism is a very important economic branch that contributes significantly to economic growth. (World Bank Group, 2018).

The most developed countries of the world have a smaller share of tourism in GDP, that is, with tourism they increasingly develop other economic activities, which is positive because it does not rely on tourism as a major economic industry whose revenues are unstable and unpredictable.

Studies have shown that there is a larger share of foreign investment in the secondary sector, increasing their impact on economic growth, which
can monitor the impact on productivity at the enterprise level as well. The workforce as an indicator also proved to be significant and it contributes positively to economic growth. As for corruption, the high level of corruption is negatively associated with the influx of foreign direct investment. Inflation in this case can be seen as a measure of the level of macroeconomic stability, and if there is a low rate of inflation then positive effect to the inflow of foreign direct investment can be expected, and if it is high, we expect a negative impact on FDI inflows. Gross savings are also shown as positive, and they contribute to the inflow of foreign direct investment (Nestorović, 2015).

Also, the stronger level of integration of the transition countries in the global market, financial market development and higher levels of investment in education promoting quality of human capital contribute to productivity growth as well.

Tourism and employment in Serbia

Travel activity in Serbia recorded a positive trend since mid-2014. In the period January-September 2018, 7.5 million overnight stays were registered, which is 12.9% more than in the same period of 2017. Growth has been stable since mid-2014; however, good results are expected in the future. Number of foreign tourists recorded a stronger growth of 16.0% compared to the first three quarters of 2017, i.e. 2.9 million overnight stays in this period. The growth trend has existed since the beginning of 2000 and has been ever stronger, indicating that, in future, foreign tourists will have an increasing impact on the overall performance of tourism in Serbia.

Figure 2: Components of time series of total overnight stays, indices

\[ y \] - original series, with \[ a \] - series with the component including seasonal, \[ t \] - trend cycle component

By comparison, the proportion of overnight stays of foreign tourists in the total number of overnight stays in the first three quarters of 2008 was 18.8% compared to the same period in 2018, when it increased to 38.0% (RSO, 2019).

Table 1: *Overnight stays, quarterly indices (%)*

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<td>Total</td>
<td>110.6</td>
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<td>110.7</td>
<td>113.8</td>
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<td>115.0</td>
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<tr>
<td>Domestic</td>
<td>118.9</td>
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<td>110.8</td>
<td>107.5</td>
<td>111.3</td>
<td>109.1</td>
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<tr>
<td>Foreign</td>
<td>124.0</td>
<td>106.6</td>
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<td>120.5</td>
<td>105.8</td>
<td>123.1</td>
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In the first three quarters of 2018, Serbia was visited by foreign tourists from around fifty different countries. Most over-night stays have been made by the visitors from the following countries - Bosnia and Herzegovina, Montenegro, Turkey, Romania, Germany, China and Croatia. Visitors from these countries accounted for 36% of the total number of overnight stays of foreign tourists in the first nine months of 2018 (including visitors from the former Yugoslavia 16.7%).

Figure 3: *Overnight stays by foreign countries they come from (Q1 + Q2 + Q3) - In thousands*

Based on the above shown chart, we can see a positive trend of development of tourism, which is highly encouraging. The number of tourists is increasing every year. They are predominantly tourists from neighboring countries, while in the forthcoming period a number of tourists from Turkey, China, Russia and other European countries is also expected. This is also an incentive to other economic activities to improve their business, increase their functionality and consequently increase employment as well.

In order to ensure adequate valorization of the resources available, for faster economic development and better positioning of Serbia as a tourist destination, key directions of further development should be highlighted: encouraging overall economic development through a fuller utilization of existing tourism resources and existing tangible basic positioning of Serbia as a tourist destination on the international tourist market so as to opt for one of modern concepts in marketing and management, and profiling of those products that are of interest to foreign buyers (ecotourism, health, recreation, culture, river activities, etc.) with their aggressive promotion.

Tourism in Serbia, given the high quality resource base, can become one of the generators of the total economic development, and thus the carrier of business, which would allow greater access to employment in the sector, if it establishes favorable conditions, improves the environment in a business system and policy, encourages the development of tourism. It is also necessary to enhance and improve the organization at all levels of government representatives and decision-makers, thus achieving better cooperation between public-private sectors, ensure better organization of tourist economy and its linkages with other sectors.

Economic policy during the transition period did not solve two major macroeconomic imbalances:
- Higher growth of public and private spending in relation to GDP, and
- Over-reliance on growth sectors in the creation of non-negotiable assets in the creation of GDP, which increased foreign trade deficit and current account deficit of the States.

The new model of growth for the period 2011-2020 provided an average GDP growth of 5.8% per year and industrial production at the rate of 6.9% per annum (FREN, 2010). This reasonably raises the question of how to achieve such results, especially if one takes into account the state
of the real sector of the economy of Serbia. One of the possibilities is to reach the global competitiveness (Vukotić et al., 2013). According to the New Global Competitiveness Index (NGCI), not all countries are identical with regards to their initial positions in international competition, and therefore have a different starting point in achieving competitiveness. According to this parameter, the level of competitiveness of a country is determined by the operation of three factors (Savić, 2010), namely: succession, macroeconomic and microeconomic competitiveness. There is a relatively solid natural resource potential in Serbia that can be a good basis for economic development in the future. (Anićić et al., 2018).

In this context it should provide a solid basis for the development of the tertiary sector in the economy of Serbia, where special emphasis would be placed on the tourism industry and its specificities in terms of increased employment of young people and other vulnerable population. According to the Labor Force Survey for the second quarter of 2018, the number of employees amounts to nearly 2.9 million, while the number of unemployed to 391.6 thousand. The employment rate of the population aged 15 and over is 48.6 percent, and the unemployment rate is up to 11.9 percent (in the first quarter it amounted to 14.9 percent), (PKS, 2019).

The tendency of decrease in the unemployment rate is due to the growth rate of gross domestic product, which recorded a slight growth in 2015 and had a positive impact on reducing unemployment, but also noted a slight increase in consumption.

Informal employment rate is the percentage of persons working without a formal contract in the total number of employees. This category includes employees in unregistered companies, employees in registered companies, but without a formal contract and without social and pension insurance, and unpaid family workers. And in the Serbian economy, the service sector is dominant with 57%, one of which is the tourism, when viewed overall employment.

However, the primacy of informal employment is in agriculture by 48% compared to the services sector, which accounts for 39%, and that includes tourism. Due to inconsistencies in the formulation and implementation of the concept of development and neglecting the private sector in economic policy, leads to slower development in the agricultural sector. The importance of agriculture in the foreign trade balance of
Serbia in total employment should not be neglected due to the problems of indebtedness and high unemployment. (Aničić et al., 2016).

This should be viewed in the context of overall economic development and positively correlated with the tourism industry. Tourism contribution to overall employment in Serbia: when looking at the contribution of travel and tourism employment in Serbia, it can be noted that the direct contribution of 1.9%, and the total contribution of travel and tourism to total employment, therefore, more broadly, is 4.9% which is far below the average in Europe (6.5%) (WTTC, 2018).

The tourism sector as a means for solving the problem of employment has great potential. Tourism is a labor intensive sector and therefore increasing the tourist activities directly creates new jobs. This sector also encourages the creation of new jobs in other sectors (construction, infrastructure, trade, catering and other activities in the service sector). It is particularly interesting for the young population for the first time entering the labor market and for the reintegration of the unemployed and women in the labor market, including tourism playing a significant social role.

Tourism offers a number of jobs with flexible working hours, such as "part time" and temporary employment. In today's conditions of life, these flexible forms are very popular. They allow a combination of work and training, which is very attractive to young people (15-24 years). In Denmark and the Netherlands the ability of this combination significantly increased the rate of employment, but it can serve as an example of good practice for other countries. In relation to that tourism has a significant potential to increase employment among young people. Jobs with flexible working hours also allow the combination of work and family. It is believed that it is these forms of employment that may provide a springboard to permanent employment.

On the other hand, these forms are not suitable for those who are looking for full-time, permanent job. The huge importance of tourism in the creation of employment is that tourist activity does not only create employment in the tourism industry, but very intense impact on job creation in other economic sectors related to tourism activity. Tourism as a service industry is very complex, so when purchasing a tourism product there are no clear transactions like when buying cars for example, or a mobile phone.
The tourism industry is a large number of possible combinations of products and services for the transportation, accommodation, meals, tickets, souvenirs. Shopping tourism product or services takes place before, during and after the trip, as well as in different places. It is obvious that tourism has considerable potential in terms of solving problems in the labor market. However, it is also necessary to create a business environment and atmosphere that will enable full utilization of this potential.

In this sense, it is necessary to provide the following assumptions:
- Ensure a stable macroeconomic growth
- Increase the competitiveness of destinations
- Reduce administrative barriers for companies
- Organize specific training and improve the quality of services
- Facilitate greater mobility of people
- Respect the principles of sustainable development (Blažević & Vuković, 2001).

The competition in this sector of the economy becomes stronger, the competition for getting customers is becoming more intense, so that the hospitality industry is facing increasing pressure to find new approaches to create and deliver value for customers through the practice of supply chain management. Over the past decade there has been a growing and significant contribution to the management of procurement and supply which may have an effect on the organization. The strategic purchase in this case is positively related to the relationship with the supplier, communication, quality of service, financial performance (FINP) and customer satisfaction. In this context, it is undoubtedly a contribution to a management structure in this comprehensive approach to providing services to the end customer (Fantazy, et al., 2010).

**Conclusion**

There is a noticeable improvement in the labor markets, such as the EU countries, and the countries in the region. The situation is similar in Serbia. In Serbia, the unemployment rate fell to just over 11%, which is very positive, but we need to continue to create more favorable business opportunities for the employment of the most vulnerable categories, especially young people and women. They are in most cases involved in the activities of the tourism industry. Tourist activity is continuously
increasing, which implies direct job creation. Tourism is not given the same importance in all the countries under study. However, what they all have in common is that tourism can accelerate the employment of vulnerable groups such as women, youth, long term unemployed, ethnic minorities, and the like. Part-time and temporary jobs, as CESD forms of tourism can have a particular significance in stimulating women and youth. Also, encouraging tourism in certain areas may reflect positively on employment in those areas. Tourism in Serbia can significantly contribute to faster and greater economic development. In our country there is a potential for increasing tourism activities that will generate a greater number of jobs in tourism or in related industries. Serbia can effectively solve the problem of unemployment through tourism, using the examples of good practice from EU countries.

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